

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on March 14, 2006 in Room 519-S of the Capitol.

All members were present except:

Greta Goodwin- excused
Janis Lee- excused

Committee staff present:

Chris Courtwright, Kansas Legislative Research
Martha Dorsey, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Judy Swanson, Secretary

Conferees appearing before the committee:

Representative Jerry Henry
Derek Franklin, Atchison Chamber of Commerce

Others attending:

See attached list.

Written testimony was received in opposition to **HB 2619, property tax exemption for certain commercial and industrial machinery and equipment, materials and supplies and Sub HB 2525, property tax exemption for certain telecommunications machinery and equipment and railroad machinery and equipment** from Mayor Joseph Reardon, Wyandotte County/Kansas City, Kansas (Attachment 1) and Duane Mathes, Kansas Legislative Policy Group (Attachment 2). Hearing on both bills was closed.

Hearing was opened on **HB 2681—Authorizing countywide retailers' sales tax for Atchison County.**

Representative Jerry Henry testified the Atchison community has been working on a sports complex project for many years, and this bill would allow the citizens of Atchison County to vote on a sales tax for the sports complex. (Attachment 3) Derek Franklin, Atchison Chamber of Commerce, testified Atchison County is long overdue for a sports complex, and to date the community has raised a total of \$38,000 for the project. (Attachment 4) The hearing was closed on **HB 2681.**

Senator Donovan moved to have staff make needed technical amendments to **HB 2681**, then recommended the bill as amended favorably for passage. Senator Jordan seconded the motion, and the motion passed.

Committee discussion was held on reinstating demand transfers to counties. Senator Apple suggested a soft phase-in of reinstating demand transfers through the LAVTRF, and linking the LAVTRF phase-in to the machinery and equipment exemption on an annual basis. Chris Courtwright presented information on the restoration of the LAVTRF property tax relief. (Attachment 5) In response to Senator Pine, Chris said county-by-county reimbursement for LAVTRF does not match up precisely by county with what would be lost if the M/E exemption is passed, because the LAVTRF is not targeted to loss of M/E revenue. If the LAVTRF was fully funded (statutory rate), it would cost the state more than implementing the slider amendment. Chris said schools do get some of the slider funds, but they do not receive any LAVTRF funds.

Senator Schmidt moved to approve the Minutes of the March 7, March 8 and March 9 Committee meetings. Senator Bruce seconded the motion, and the motion passed.

Being no further business, the meeting adjourned at 11:10 a.m.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 3-14-06

NAME	REPRESENTING
Christy Caldwell	Topeka Chamber of Com.
Marilee Carpenter	Kansas Chamber
Bill Thompson	KS Dept of Commerce
Patrick Slatton	Leadworth Chamber of Commerce
Derde Hein	Hein Law Firm
Hal Hudson	NFIB
Kiel Brunner	intern
David Cunningham	KASB
Duane Dunn	Seward County Comm. College
Jim May	Spirit Aero Systems
Bob Burke	Cosma
Bob VanCrum	Greater KC Chamber
Heather Bennett	LLL
Roger Hamm	KDOR
Mark Bank	PRD
Dan Murray	Federico County Hwy
LARRY R BAER	LKW
Bill Brady	Capitol Strategies
Ed May	LGK



**Unified Government of
Wyandotte County/Kansas City, Kansas**

Joseph F. Reardon, Mayor/CEO

701 North 7th Street, Suite 926
Kansas City, Kansas 66101
Phone: (913) 573-5010
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**OPPOSITION POSITION
OF
THE UNIFIED GOVERNMENT
OF
WYANDOTTE COUNTY KANSAS CITY,
KASAS
TO**

HB 2619 AND HB 2525

MARCH 2006

Assessment & Taxation
Date 3-14-06
Attachment # 1

Opposition Remarks from Joe Reardon Mayor/CEO Unified Government of Wyandotte County to the Kansas Senate Tax Committee on 03-09-06:

Re: HBS 2619 & 2525

Madam Chair and Members of the Senate Assessment and Taxation Committee, thank you for the opportunity to address you today on House Bill 2619 and House Bill 2525. These bills propose to eliminate personal property tax on machinery and equipment in Kansas.

I'm proud of the productive working relationship our Unified Government has with Wyandotte County businesses. We are committed to providing reasonable support to help existing and new business prosper. While I believe the intent of the bills to help business and new commerce is worthwhile, the bills in their current form do not adequately compensate local government for lost revenue.

Currently 16% of the Unified Government budget is funded by taxes on machinery and equipment -the highest collected anywhere in the State of Kansas. This percentage figure does not include exemption under HB 2525. Without adequate compensation, Wyandotte County could lose up to \$ 11 million in annual revenue and ultimately would have to look to real estate property tax on our homeowners to help make up the difference. It is a course of action our government cannot willingly accept and one that we estimate could ultimately result in a 12.5% tax increase.

Great things are happening in Wyandotte County and our future certainly looks positive. It is a wonderful change in dynamics and the State of Kansas has

been great partner in this progress. I can truly say that we are seeing a light at the end of the tunnel with respect to our long-term financial condition. Our future can be one where we will be able to address the social needs and issues of our unique county. A large reduction in revenue will harm our prospects for improving the condition of many of our citizens.

The current slider reimbursement language in the bills is a start and an acknowledgement that local government revenue losses should be addressed to avoid having a tax reduction become a tax shift. It, however, does not adequately address the revenue shortfalls faced by local government. Further, it does not acknowledge that counties that heavily rely on this revenue, like Wyandotte County and many others, have a higher hill to climb to grow new revenue to supplant the loss and should be afforded more time to do so.

We oppose the bill in its current form and ask that you consider measures to adequately address the revenue shortfall that local government would incur with the elimination of this tax. This request is not unique. Several states that have eliminated this tax have enacted revenue reimbursement plans to help local government. Some that come to mind are Iowa, Maine, and Illinois.

Maine's revenue reimbursement proposal includes a formula that enhances the reimbursement for those counties most gravely affected, acknowledging that such counties have a higher hill to climb. We support that concept and believe that extending the period of time and revenue reimbursement to those highly affected Kansas Counties makes sense. We will submit details of this concept to the committee.

Illinois' approach was to create a personal property replacement tax that is a corporate tax directed to local governments. We think this concept may have merit as it allows the state and local government to share the risk and reward. If income tax increases in the state due to increased business activity, which we all hope will happen, local government will share in that positive dynamic along with the State. We are confident that there may be other solutions that would adequately address revenues shortfalls at the local level. We want to work in partnership with you to explore those opportunities.

I want to make my testimony as clear as possible today: we oppose this bill in its current form. Not because we are opposed to making this state more competitive for businesses. We are proud of our support of business and manufacturing in Wyandotte County and we support State efforts in this area, too. We oppose the bill in its current form because it is clear to us that without further modification, the bill's laudable goal of helping business flourish in Kansas could rest on the backs of our homeowners. Thus a tax cut becomes a tax shift. As I said before this is a course of action that our local government cannot willingly accept.

Madam Chair and Members of the Committee I thank you for this opportunity to present the views of the Unified Government of Wyandotte County, Kansas City, Kansas. We hope to work in partnership with you to make Kansas competitive for business, while ensuring our homeowners are not faced with tax increases. We also incorporate the attached exhibits.

EXHIBITS OF UNIFIED GOVERNMENT
IN OPPOSITION TO
HB 2619 AND HB 2525

- EXHIBIT 1 UG Finance Department analysis 2-11-06
- EXHIBIT 2 Mayor Reardon Letter 2-13-06
- EXHIBIT 3 General Analysis
- EXHIBIT 4 UG Analysis with original slider and with alternative
- EXHIBIT 5 UG Analysis of 2619, 2525 with UG Proposed Amendments

Finance Department - Research Division
Unified Government of Wyandotte Co./Kansas City, KS
701 N. 7th Street, Room 330
Kansas City, KS 66101



Phone (913) 573-5186
Fax (913) 573-5003

February 11, 2006

Machinery and Equipment Key Points

1. Machinery and equipment personal property assessed valuation (\$174 million) is a critical part of the Wyandotte County tax base accounting for nearly 16% of total valuation and generating approximately \$11.6 million in property tax revenues.
2. The assessed valuation of personal property for state assessed telecommunication and railroad utilities (\$30.8 million) is also an important piece of the Wyandotte County tax base accounting for nearly 3% of total valuation and generating approximately \$2 million in property tax revenues.
3. For utilities in Wyandotte County, the personal property of telecommunications and railroads is 50% of the total valuation of all state-assessed utilities within the county.
4. For the 2003-2005, Wyandotte County added an annual average of \$47 million assessed valuation in new machinery and equipment that in the future would be exempt from taxation, based on the proposed legislation.
5. The loss of this valuation, as proposed in HB 2525 and HB2619 will have severe consequences for the Unified Government. It is projected that within seven years, with depreciation and the replacement of existing machinery and equipment, the Unified Government will incur an annual revenue loss exceeding \$13 million, based on current tax rates.
6. The "slider" contained in the legislation minimizes the impact of the valuation loss in the initial year; however, by year 2013 local governments will only receive 20% of the manufacturing and equipment revenues received in 2005.
7. It is projected that a tax levy increase of 9.2 mills would be required in year 2012 for the Unified Government to remain revenue neutral, with HB 2525. For a home valued at \$100,000, this increase would be equivalent to \$106 or a 12.5% increase.
8. The Unified Government Commission has shown a commitment to lowering the government's tax rate. This legislation will constrain future growth in overall property valuation and will limit the government's ability to lower future tax levies.

EXHIBIT 1



Unified Government of
Wyandotte County/Kansas City, Kansas

Joe Reardon, Mayor/CEO

701 North 7th Street, Suite 926
Kansas City, Kansas 66101
Phone: (913) 573-5010
Fax: (913) 573-5020

February 13, 2006

Dear Wyandotte County Legislators:

The Unified Government is proud of its productive working relationship with Wyandotte County businesses and is committed to provide reasonable support to help existing and new businesses prosper.

With that in mind, the Unified Government Board of Commissioners and I have concerns about HB 2619 and HB 2525 which provide property tax exemption for commercial and industrial machinery and equipment. Initially, we took a neutral position on HB 2619. We believe the bills could help existing businesses and attract new commerce to our community. However, we believe the bills in their current form do not adequately compensate local government for lost revenue.

Currently, 16% of the Unified Government's budget is funded by taxes on machinery and equipment -- the highest collected anywhere in the State of Kansas. Without adequate compensation, Wyandotte County could lose up to \$11 million in annual revenue and would have to look to our homeowners to make up the difference through real property tax. It is a course of action that our government cannot willingly accept.

The current reimbursement language in HB 2619 and HB 2525, we firmly believe, does not adequately address our situation. To offset the loss of revenue, we anticipate a mill levy increase of 9.2 mills would be required at the conclusion of the revenue enhancement, meaning an increase of approximately \$106 in real property tax on a \$100,000 home -- a 12.5% increase.

Therefore, we are opposed to HB 2619 and HB 2525 as they come to the floor of the House. The reimbursement provision added to the bills by the committee is a good start to address the revenue shortfalls we would be faced with as a local government.

It is our hope that the legislature and the State of Kansas will consider other measures to address the revenue shortfall that local municipalities across the state would experience as a result of this bill in its current form. Without adequately addressing the shortfall, citizens throughout Kansas, particularly homeowners, could be harmed significantly by this measure.

Sincerely,

Joe Reardon
Mayor/CEO

EXHIBIT 2

HB 2619 & HB 2525

Goal: Find a way to hold harmless counties that have an above average concentration of machinery/equipment/railroad in the county. It is envisioned the proposal would commence after the first two years of the current "slider" amendment.

Counties reimbursed annually: Commencing in the year 2010 the Legislature shall annually reimburse each county for all taxing subdivisions in the county from state tax sources for not less than 50% of the property tax revenue loss suffered by that county during the previous calendar year because of the statutory property tax exemptions or credits enacted after June 30, 2006, except that if the Legislature exempts a type or classification of property from taxation that for any individual county constitutes more than 10% of the county's taxable value if the type or classification were entirely subject to taxation, the Legislature shall annually reimburse that county for not less than 50% of the property tax revenue loss plus one-half of the percentage that the type or classification of property subject to exemption constitutes of the county's total value. The Legislature shall enact appropriate legislation to carry out the intent of this section.

- Example: assume 10% of Sedgwick County's tax base is made up of tax exempt personal property. For any year in which that is the case, Sedgwick County's reimbursement would be $50\% + 5\% = 55\%$ of lost tax revenue.

EXHIBIT 3

1-8

- Example: assume 18% of Wyandotte County's tax base is made up of personal property. Wyandotte County's reimbursement rate would be $50\% + 9\% = 59\%$ of lost tax revenue.

- Example: assume 5% of Smith County's tax base is made up of personal property. Since the 10% threshold is not reached, Smith County's reimbursement rate would be 50%.

(Note: The intended disproportionate formula would have as numerator the total value of the classification of property within the County and the denominator would be the total taxable value of the County plus the total exempt value of that classification of property within the County.)

	Tax Rate	M/E Value	
Wyandotte County	31.279	173,970,000	5,049,812
Kansas City, Kansas	42.742	165,027,942	6,535,188
			11,585,000

House Bill 2619 & 2525 With Slider (As Approved)

Tax Year	Budget Year	Assessed Value M/E w/Utilities	M/E Assessed Value Change (ESTIMATE)	Machinery Equipment Property Tax Revenue	WYCO Addtl. Annual Revenue Loss Due to M/E Change	KCK Addtl. Annual Revenue Loss Due to M/E Change	Net Annual Revenue Loss Due to M/E Change	Slider	Mill Impact	\$100,000 Home
2005	2006	204,770,000	Not Applicable	13,585,000	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0
2006	2007	204,770,000	0	13,585,000	0	0	0	0	0	0
2007	2008	173,300,000	-31,470,000	11,507,186	-915,446	-1,162,368	-2,077,814	100%	0	\$0.00
2008	2009	128,000,000	-45,300,000	8,516,243	-1,317,753	-1,673,190	-5,068,757	80%	0.89	\$10.26
2009	2010	82,700,000	-45,300,000	5,525,301	-1,317,753	-1,673,190	-8,059,699	60%	2.85	\$32.78
2010	2011	37,400,000	-45,300,000	2,534,358	-1,317,753	-1,673,190	-11,050,642	40%	5.88	\$67.67
2011	2012	12,400,000	-25,000,000	883,727	-727,237	-923,394	-12,701,273	20%	8.93	\$102.70
2012	2013	0	-12,400,000	0	-325,723	-558,004	-13,585,000	0%	11.55	\$132.83

House Bill 2619 & 2525 With MAYOR/ Alternate Slider

Tax Year	Budget Year	Assessed Value M/E	M/E Assessed Value Change (ESTIMATE)	Machinery Equipment Property Tax Revenue	WYCO Addtl. Annual Revenue Loss Due to M/E Change	KCK Addtl. Annual Revenue Loss Due to M/E Change	Net Annual Revenue Loss Due to M/E Change	Slider	Mill Impact	\$100,000 Home
2005	2006	204,770,000	Not Applicable	13,585,000	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	0
2006	2007	204,770,000	0	13,585,000	0	0	0	0	0	0
2007	2008	173,300,000	-31,470,000	11,507,186	-915,446	-1,162,368	-2,077,814	100%	0	\$0.00
2008	2009	128,000,000	-45,300,000	8,516,243	-1,317,753	-1,673,190	-5,068,757	80%	0.89	\$10.26
2009	2010	82,700,000	-45,300,000	5,525,301	-1,317,753	-1,673,190	-8,059,699	60%	2.85	\$32.78
2010	2011	37,400,000	-45,300,000	2,534,358	-1,317,753	-1,673,190	-11,050,642	59.35%	3.99	\$45.85
2011	2012	12,400,000	-25,000,000	883,727	-727,237	-923,394	-12,701,273	59.35%	4.54	\$52.19
2012	2013	0	-12,400,000	0	-325,723	-558,004	-13,585,000	59.35%	4.70	\$54.00

EXHIBIT 4

2-18

- I. HB 2619 Exempts Business Equipment and Machinery
 HB 2525 Exempts Equipment for Telecommunications Plants and Railroads
 The Slider Amendment is found in both bills

HB 2619 has a "slider" amendment which provides for State payment to each county of an amount equal to the difference in total ad valorem tax receipts for the year 2005 as compared to the taxes levied for 2007, 2008, 2009, 2010, and 2111.

The State rate of payment of the difference is on a sliding scale, hence the term "slider amendment".

<u>Tax Year</u>	<u>Budget Year</u>	<u>Reimbursement % of difference</u>
2007	2008	100%
2008	2009	80%
2009	2010	60%
2010	2011	40%
2011	2012	20%

No State payments after February 1, 2012. The slider originally called for two years at 100% reimbursement but was changed on the house floor on February 13, 2006

Even with the above reimbursement schedule real estate taxes will increase. For example 100,000 Wyandotte County House in 2011 will have additional tax of \$103. The foregoing increase does not include any other taxing district, such as the community college or school districts.

The following preliminary UG tax schedule of increases does not include community college, or school district or any other local taxing entity. UG taxes would raise the amounts on homeowners?

<u>Tax Year</u>	<u>Additional tax</u>
2008	\$ 10.26
2009	\$ 32.78
2010	\$ 67.67
2011	\$102.70
2012	\$132.83

In 2005 a 100,000 house in Wyandotte County was taxed about \$1800.00 Assuming valuations continue to go up, as well as increased taxes from other taxing units, the same house in 2012 could be paying over \$2000 in Real estate property taxes.

The original slider does not take in account the loss after 2005 of increased valuations in equipment, machinery and utilities and it does not consider counties having the most industrial tax base.

EXHIBIT 5

II. UG Proposed Amcndments: A modified slider

Wyandotte County is the County impacted the most by these twin bills. Almost 20% of Wyandotte County tax base is attributable to machinery, and equipment associated with personal property, utilities and railroads.

The UG Amendments call for additional state help for those counties impacted the hardest by the tax shifts with these twin bills. The UG Amendment softens the blow of the twin bills to those counties whose base in Machinery and Equipment is 8% of the total tax dollars of the county.

Here is how the modified slider works:

<u>Year</u>	<u>% of Reimbursement</u>
2007	100%
2008	80%
2009	60%
2010 counties over 8%	50% + ½ of M/E exempt value
2011 counties over 8%	50% + ½ of M/E exempt value
2012 counties over 8%	50% + ½ of M/E exempt value
2013 counties over 8%	50% + ½ of M/E exempt value

All counties would receive 50% reimbursement for year 2010 thru 2013.

Example: Assume 10% of Coffey County's tax base is made up of tax exempt personal property. For any year after 2010 Coffey County's reimbursement would be $50\% + 5\% = 55\%$ of lost tax revenues.

Example: Assume 5% of Smith County's revenue is made up of exempt personal property. The 8% threshold is not met. Therefore Smith County's reimbursement rate would be 50%.

The year 2013 is the last year for reimbursement.

Under the UG modified slider the tax shift of the twin bills is softened by taking into account the counties with the largest industrial base who are hit the hardest by the tax shift of the twin bills. However, it is clear that Wyandotte County will ultimately lose \$204,770,000 in assessed valuations consisting of \$173,970,000 in business and machinery valuation and \$30,860,000 in utilities and railroad valuations.



KANSAS LEGISLATIVE POLICY GROUP

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**TESTIMONY
BEFORE THE SENATE COMMITTEE ON
ASSESSMENT AND TAXATION
REGARDING
HOUSE BILL NO. 2619
KANSAS LEGISLATIVE POLICY GROUP
By: Duane Mathes, President**

Chairperson Allen and Members of the Senate Committee:

I appreciate this opportunity to provide written remarks to your Committee on behalf of Kansas Legislative Policy Group (KLPG). KLPG represents the interests of more than 30 counties located in western Kansas. I am Duane Mathes, an Edwards County Commissioner and currently I serve as KLPG President.

KLPG encourages you to reject House Bill 2619. This is an issue of keen interest to many of our members.

Our members do support the public policy statement contained in Section 1 of the bill. We know that Kansas businesses face stiff competition and they need to be able to provide the best services and the best price available. However, we believe that the burdens of this tax policy strategy and the impacts of the associated tax shift will be unfairly placed on the local units of government.

Although attitudes and opinions can vary with respect to the cost/benefit of this measure, there are too many unknowns. While our communities may see the benefits of an increase in local sales and an influx in compensating use taxes as business upgrade their equipment. They are just one-time monetary injections to our local economies.

However, the unanswered question is how quickly will our existing equipment tax base remain once these equipment and machinery upgrades are made by business? How long will existing equipment remain "in service", will its removal from the tax base be a slow decline or a rapid free fall? How do we react to those declines and where do we find these revenues to make up the losses? Our only solution is a shift to real property – residential, commercial and agricultural.

Supporters of the bill indicate this legislation will not affect property currently in a county's tax base and on the existing tax rolls, we just won't see any growth in our tax base for equipment and machinery acquired by businesses after July of 2006, and for the time being that is true.

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What is not being addressed is that our resources are being limited, but the needs of our residents continue to grow.

What about businesses that upgrade technology and existing services become automated and no longer need employee interaction? People's jobs will be eliminated or phased out. Although that may not happen in the communities that KLPG represents, but how do our Kansas communities respond, where do we get the needed resources to provide the required public services?

Some communities currently grant tax abatements in order to induce new business. Our communities are trying to recruit and attract new businesses. But the needs of our business are different then those in other areas of the State. Our leading businesses need more than tax incentives; they need resources, like wide expanses of land, access to water, energy and labor.

We again urge you to reject this legislation.

Thank you for your time and consideration of this matter.

STATE OF KANSAS

JERRY HENRY
REPRESENTATIVE, SIXTY-THIRD DISTRICT
ATCHISON AND DONIPHAN COUNTIES
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TOPEKA

HOUSE OF
REPRESENTATIVES

March 14, 2006

COMMITTEE ASSIGNMENTS

MEMBER: HOUSE APPROPRIATIONS COMMITTEE
SOCIAL SERVICES BUDGET COMMITTEE
HOUSE TRANSPORTATION COMMITTEE
JOINT COMMITTEE ADMINISTRATIVE
RULES AND REGULATIONS
NCSL ASSEMBLY ON FEDERAL ISSUES—
HEALTH COMMITTEE

Members of the Senate Assessment and Taxation Committee

Thank you for the opportunity to appear before you today to ask for your favorable passage of House Bill 2681. HB 2681 would allow Atchison County to impose a .25% local retailer's sales tax to finance the costs of construction and maintenance of sports and recreational facilities.

I have had the opportunity to meet with the Atchison County Commission on this issue on several occasions and they have expressed to me their desire for this bill to be introduced.

The Atchison community has been working on this sports complex project for many years. There have been a number of public meetings concerning the need of a new sports complex for the community. It is my hope that we can pass this bill so as to allow the citizens of Atchison County the opportunity to vote on this very important issue.

Thank you for your time today, and I will be happy to stand for questions.

Jerry Henry
State Representative
63rd District

Assessment & Taxation
Date 3-14-06
Attachment # 3

Senate Assessment Taxation Committee
House Bill 2681
Comments form Derek Franklin
Sports Complex Committee
Atchison Area Chamber of Commerce
10 a.m., March 14, 2006
Room 519S

200 S. 10th / P.O. Box 126, Atchison, Kansas 66002
phone 913 367 2427 fax 913 367 2485
www.atchisonkansas.net

"It's a Great Day in Atchison"

Ladies and Gentlemen, thank you for the opportunity to speak today. My name is Derek Franklin. In addition to owning and operating the Hardware Store in Atchison, I serve as co-chairman of the Sports Complex Committee. Our mission is to build a multi-faceted facility in Atchison County.

This project is long over-due. For decades, our youth and adults have been challenged with outdated facilities scattered throughout the county. While this did serve the purpose of playing sports, the inconvenience and lack of modern facilities has impacted the community. Currently, there are over 2000 Atchison County youth utilizing facilities within the county and as far away as St Joseph, Missouri.

Atchison County is ready for a sports complex. Over the past few months, we have held public meetings to determine the needs and possible funding mechanisms. We have determined that the most equitable source of financing a facility is through a one-quarter cent sales tax. We wish to raise enough money from the sales tax to build a facility and provide maintenance funds for the future. It is our plan to sunset the sales tax as soon as those goals are accomplished.

Should the legislature grant approval of House Bill # 2681, we will ask the Atchison County Commission to proceed with notice of election. Our committee has involved dozens of volunteers in this grass roots effort. To date, a total of \$38,000 has been raised for this project. An option on a parcel of land has been secured and hundreds of county residents have expressed their support for a new sports complex. Both school districts in Atchison County are very supportive of this project.

We now ask you to help move this process along. Again, thank you for your time and consideration. I would entertain any questions you might have.



Assessment & Taxation
Date 3-14-06
Attachment # 4

MEMORANDUM

March 13, 2006

To: Senator Pat Apple
 From: Chris W. Courtwright, Principal Economist
 Re: Restoration of LAVTRF Property Tax Relief

This memo is in response to your request regarding a potential amendment to HB 2619 that would link continuation of the property tax exemption for new purchases of commercial and industrial machinery and equipment to a permanent restoration of the Local Ad Valorem Tax Reduction Fund (LAVTRF) payments to local units of government. Based on the November revision to my sales tax demand transfer model, the current amount of revenues that would be transferred in FY 2008 is about \$72 million. The attached printout shows how that \$72 million would be disaggregated for property tax relief to each of the 105 counties. From FY 2008-2013, there would about \$453 million in LAVTRF property tax relief provided to local units if the demand transfer were to be funded at the level currently contemplated in that law.

As for how the linkage might be structured, one possibility might be to have those purchases and acquisitions of machinery and equipment from January 1, 2007 through December 31, 2007 qualify (and not need to be listed or taxed in tax year 2008) for the exemption if and only if the Secretary of Revenue has certified as of July 1, 2007 that the 2007 Kansas Legislature has provided at least \$72 million in LAVTRF funding for FY 2008. Similarly, purchases and acquisitions from January 1, 2008 through December 31, 2008 would qualify for the tax year 2009 exemption if and only if the 2008 Legislature, as certified by the Secretary, has allowed at least \$72 million of LAVTRF funding for FY 2009.

As discussed in committee, this kind of amendment regarding a permanent restoration of property tax relief for local units could be viewed as an alternative to the current slider provisions; or could be offered in as a simple addition to the bill to help supplement the slider transfers (which sunset after five years).

LAVTRF Transfers

(\$ in millions)

FY 08	\$71,942
FY 09	\$71,926
FY 10	\$73,415
FY 11	\$75,984
FY 12	\$78,643
FY 13	\$81,396
6 yr total	\$453,306

applememo.wpd

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 Date 3-14-06
 Attachment # 5

Office of Policy and Research
 Distribution of \$72 million
 using LAVTRF

County Name	2005 Assessed Valuation	CY 2004 Population Certified 7/1/05	LAVTRF Ratio	Distribution Amount \$72,000,000
Allen	\$ 79,488,947	13,949	0.00434	\$ 312,781
Anderson	\$ 67,034,996	8,191	0.00281	\$ 202,656
Atchison	\$ 113,923,684	16,848	0.00548	\$ 394,495
Barber	\$ 73,225,639	4,999	0.00214	\$ 153,820
Barton	\$ 196,623,885	27,367	0.00905	\$ 651,589
Bourbon	\$ 84,953,824	15,066	0.00468	\$ 336,988
Brown	\$ 82,094,070	10,362	0.00353	\$ 253,843
Butler	\$ 441,998,615	61,828	0.02042	\$ 1,470,013
Chase	\$ 38,675,768	3,068	0.00123	\$ 88,560
Chautauqua	\$ 23,937,357	4,178	0.00130	\$ 93,804
Cherokee	\$ 131,174,257	21,950	0.00691	\$ 497,870
Cheyenne	\$ 40,501,431	2,979	0.00123	\$ 88,740
Clark	\$ 37,917,371	2,343	0.00105	\$ 75,449
Clay	\$ 62,171,778	8,597	0.00285	\$ 205,066
Cloud	\$ 68,626,116	9,779	0.00321	\$ 231,308
Coffey	\$ 455,842,283	8,759	0.00799	\$ 575,000
Comanche	\$ 42,159,476	1,903	0.00100	\$ 71,878
Cowley	\$ 204,004,662	35,772	0.01114	\$ 802,269
Crawford	\$ 219,819,386	38,060	0.01189	\$ 856,163
Decatur	\$ 31,715,450	3,274	0.00119	\$ 85,593
Dickinson	\$ 134,700,485	19,132	0.00629	\$ 452,948
Doniphan	\$ 65,515,538	8,062	0.00276	\$ 199,032
Douglas	\$ 1,038,091,400	102,786	0.03787	\$ 2,726,693
Edwards	\$ 43,639,549	3,308	0.00135	\$ 97,296
Elk	\$ 22,581,705	3,117	0.00103	\$ 74,388
Ellis	\$ 270,807,578	27,060	0.00994	\$ 715,525
Ellsworth	\$ 54,913,571	6,350	0.00222	\$ 159,854
Finney	\$ 470,512,179	39,271	0.01543	\$ 1,110,693
Ford	\$ 219,946,113	33,278	0.01076	\$ 774,469
Franklin	\$ 177,650,848	26,049	0.00849	\$ 611,345
Geary	\$ 133,854,235	25,111	0.00770	\$ 554,450
Gove	\$ 38,979,781	2,845	0.00118	\$ 85,028
Graham	\$ 42,259,364	2,745	0.00120	\$ 86,376
Grant	\$ 345,416,263	7,685	0.00630	\$ 453,635
Gray	\$ 64,041,925	5,980	0.00225	\$ 162,038
Greeley	\$ 35,431,811	1,415	0.00080	\$ 57,254
Greenwood	\$ 57,515,527	7,538	0.00254	\$ 182,606
Hamilton	\$ 72,648,427	2,654	0.00157	\$ 113,162
Harper	\$ 60,443,860	6,238	0.00227	\$ 163,096
Harvey	\$ 219,244,111	33,769	0.01086	\$ 782,214
Haskell	\$ 212,379,658	4,272	0.00377	\$ 271,166
Hodgeman	\$ 33,440,623	2,089	0.00093	\$ 66,928
Jackson	\$ 77,998,743	13,169	0.00414	\$ 298,047
Jefferson	\$ 131,678,865	18,906	0.00620	\$ 446,263
Jewell	\$ 35,882,835	3,422	0.00128	\$ 92,012
Johnson	\$ 7,171,851,084	496,691	0.21092	\$ 15,186,508
Kearny	\$ 286,362,195	4,515	0.00478	\$ 344,324
Kingman	\$ 97,822,789	8,390	0.00326	\$ 234,775

Office of Policy and Research

Distribution of \$72 million

using LAVTRF

County Name	2005 Assessed Valuation	CY 2004 Population Certified 7/1/05	LAVTRF Ratio	Distribution Amount \$72,000,000
Kiowa	\$ 64,410,702	3,084	0.00157	\$ 112,836
Labette	\$ 111,921,096	22,269	0.00674	\$ 485,371
Lane	\$ 32,801,724	1,950	0.00089	\$ 63,954
Leavenworth	\$ 491,118,236	72,439	0.02357	\$ 1,697,362
Lincoln	\$ 34,888,396	3,416	0.00126	\$ 90,981
Linn	\$ 161,787,466	9,775	0.00442	\$ 318,128
Logan	\$ 40,499,541	2,827	0.00120	\$ 86,138
Lyon	\$ 218,162,708	35,717	0.01131	\$ 814,533
Marion	\$ 97,646,856	13,010	0.00436	\$ 313,652
Marshall	\$ 86,109,471	10,402	0.00359	\$ 258,273
McPherson	\$ 290,455,618	29,413	0.01075	\$ 774,106
Meade	\$ 106,413,866	4,592	0.00247	\$ 177,810
Miami	\$ 313,307,824	29,712	0.01112	\$ 800,535
Mitchell	\$ 54,093,702	6,564	0.00226	\$ 162,751
Montgomery	\$ 205,706,380	34,975	0.01098	\$ 790,221
Morris	\$ 56,391,783	5,977	0.00215	\$ 154,851
Morton	\$ 160,018,126	3,269	0.00285	\$ 205,171
Nemaha	\$ 77,114,259	10,458	0.00348	\$ 250,841
Neosho	\$ 89,926,383	16,555	0.00510	\$ 367,100
Ness	\$ 53,189,491	3,080	0.00142	\$ 102,302
Norton	\$ 39,807,488	5,799	0.00189	\$ 136,339
Osage	\$ 118,232,763	17,091	0.00559	\$ 402,671
Osborne	\$ 35,609,420	4,100	0.00144	\$ 103,356
Ottawa	\$ 56,636,207	6,175	0.00220	\$ 158,467
Pawnee	\$ 54,110,624	6,795	0.00232	\$ 166,718
Phillips	\$ 47,865,995	5,583	0.00195	\$ 140,159
Pottawatomie	\$ 368,842,391	18,871	0.00926	\$ 666,858
Pratt	\$ 99,483,573	9,417	0.00353	\$ 253,894
Rawlins	\$ 31,123,637	2,765	0.00106	\$ 76,333
Reno	\$ 462,334,743	63,676	0.02112	\$ 1,520,596
Republic	\$ 48,059,471	5,224	0.00186	\$ 134,198
Rice	\$ 100,041,673	10,497	0.00379	\$ 272,892
Riley	\$ 368,396,042	63,069	0.01976	\$ 1,422,598
Rooks	\$ 60,887,283	5,386	0.00207	\$ 148,933
Rush	\$ 35,386,001	3,466	0.00128	\$ 92,301
Russell	\$ 69,707,062	6,978	0.00256	\$ 184,396
Saline	\$ 470,197,690	53,943	0.01891	\$ 1,361,414
Scott	\$ 71,727,927	4,691	0.00204	\$ 147,153
Sedgwick	\$ 3,608,117,774	463,802	0.15695	\$ 11,300,063
Seward	\$ 267,620,682	23,237	0.00899	\$ 647,148
Shawnee	\$ 1,427,520,824	171,716	0.05929	\$ 4,269,180
Sheridan	\$ 33,509,739	2,614	0.00106	\$ 75,975
Sherman	\$ 62,001,706	6,218	0.00228	\$ 164,207
Smith	\$ 35,998,758	4,179	0.00146	\$ 105,071
Stafford	\$ 64,285,561	4,512	0.00190	\$ 137,150
Stanton	\$ 102,902,175	2,374	0.00190	\$ 136,588
Stevens	\$ 354,980,725	5,520	0.00591	\$ 425,516
Sumner	\$ 161,163,972	25,272	0.00809	\$ 582,675

Office of Policy and Research
Distribution of \$72 million
using LAVTRF

County Name	2005 Assessed Valuation	CY 2004 Population Certified 7/1/05	LAVTRF Ratio	Distribution Amount \$72,000,000
Thomas	\$ 78,959,399	7,801	0.00288	\$ 207,105
Trego	\$ 37,527,059	3,158	0.00124	\$ 89,028
Wabaunsee	\$ 62,587,452	6,938	0.00246	\$ 177,071
Wallace	\$ 28,650,993	1,579	0.00075	\$ 53,736
Washington	\$ 56,394,616	6,107	0.00218	\$ 157,078
Wichita	\$ 32,157,702	2,360	0.00098	\$ 70,368
Wilson	\$ 69,865,679	9,946	0.00327	\$ 235,321
Woodson	\$ 28,210,937	3,553	0.00121	\$ 87,097
Wyandotte	\$ 1,110,992,382	156,487	0.05158	\$ 3,713,422
Totals	\$ 27,019,361,810	2,735,502	1.00000	\$ 72,000,000

Formula states population makes up 65% and valuation 35% of the amount to the county.